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SUBJECT: BELARUSIAN TRADE STATISTICS FOR 2006: SOLID GROWTH BUT
FUTURE LESS CERTAIN

Summary

1. (SBU) Clearly, higher energy prices this year will likely have an adverse and significant impact, but Belarus enjoyed solid growth in foreign trade in 2006. The key driving factors were high world prices on oil and oil products and cheap energy supplies from Russia. Commodity exports and imports amounted to USD 41.8 billion, a rise of 29.1%. The trade deficit in 2006 reached USD 1.66 billion (4.5% of the GDP), while foreign commodity trade deficit was USD 2.4 billion (largely because of a nearly USD 6 billion deficit in trade with Russia, which remained by far Belarus' largest trading partner). Despite its rhetoric, Belarus is becoming increasingly economically dependent on the Western democracies, and is seeking less economic dependence on traditional trading partners Russia and Ukraine. End summary.

2. (SBU) It should be noted that Belarus' presumed extensive sales of military goods in 2006 are not a matter of public record, and those figures are therefore excluded from this report.

Growing Trade, Expanding Deficit

3. (U) According to the official statistics, Belarus' foreign commodity trade in 2006 totaled USD 41.8 billion, an increase of 29.1% from 2005. Belarus exported goods worth USD 19.8 billion (on the year increase of 24.4%), and imported USD \$21.5 billion (up 34.5%), for a trade deficit of USD 2.2 billion (compared to a deficit of USD 0.6 billion in 2005).

4. (U) According to a Prime-TASS analysis, in 2006, Belarus' exports actually fell 1.5% and imports grew 4.4% in terms of volume. However, in dollar terms both were up, exports by 24.4% and imports by 34.5%. Most of the export rise could be attributed to higher oil and potash prices. For example, Belarus exported 9% less potash, but earned 8.5% more from its sale. The value of exports of oil products grew by 36% on 2005, while the volume increased only by 7.4%. Belarus had USD 3.3 billion and USD 3.4 billion surpluses in trade with countries outside the CIS in 2005 and 2006 respectively.

Russia

5. (U) Belarus' USD 2.2 billion commodity trade deficit in 2006 resulted primarily from a USD 6 billion deficit in trade with Russia, its main trading partner. Belarus' high trade deficit in 2006 is primarily attributed to larger imports of Russia's crude

oil, which increased in both volume and cost per unit, and shrinking exports to Russia.

¶6. (U) Although trade with Russia increased in absolute and relative terms, its role as Belarus' main trade partner continued to decrease. In 2006, Russia accounted for 47.4% of Belarus' foreign trade, totaling USD 19.6 billion. Exports to Russia, worth USD 6.8 billion grew by 19.9%. Imports from Russia, worth USD 12.7 billion grew by 29.5%. In 2005 and 2004, Russia accounted for 48% and 58% of Belarus' foreign trade, respectively.

¶7. (U) In 2006, Belarus' main exports to Russia included: trucks (up 0.7% in volume and up 18.8% in monetary value), tractors (up 33% and 49.7%), TV sets (down 31.1% and 37.5%), dairy products, refrigerators, meat, furniture, components for vehicles, iron and non-alloy steel rods, tires and castings. Belarus' main imports from Russia included crude oil (up 34% in monetary value, but just 8.5% in volume); oil products, oil gas and gas hydrocarbons, ferrous metal scrap, internal combustion engines (diesel and semi diesel), copper wire, rolled non-alloy steel, and hot- and cold-rolled flat iron.

European Union

¶8. (U) The European Union was Belarus' second largest trading partner, and the largest consumer of Belarusian exports. [Note: This reflects the fact that Belarus refines and exports Russian crude oil. However, much of this production does not remain in the EU. End note.] The countries of the EU account for 33.9% of Belarus' foreign trade (up slightly from 2005), totaling USD 14 billion: USD 9 billion worth of exports and USD 5 billion worth of imports. Belarus maintained a USD 4 billion trade surplus with the EU. Trade with the EU increased mostly as a result of rising oil

MINSK 00000247 002 OF 003

prices.

¶9. (U) According to GOB statistics, Belarus' main trading partner in the EU -- and its second largest trading partner in general -- was the Netherlands. However, this reflects questionable accounting on the part of the GOB. Bilateral trade is actually quite small, but the GOB counts oil products exported through Rotterdam as trade with the Netherlands.

In fact, Belarus' primary EU trading partner is Germany (see below), followed by the UK with USD 1.66 billion (export USD 1.47 billion, imports USD 185 million), Poland (see below), Italy with USD 670 million (exports USD 172 million, imports 498 million), Lithuania with USD 603 million (exports USD 433 million, imports USD 170 million), Latvia with USD 574 million (exports USD 462 million, imports USD 112 million), Sweden with USD 482 million (exports USD 367, imports USD 115) and France with USD 474 million (exports USD 203 million, imports USD 271 million).

Ukraine

¶10. (SBU) By the numbers, Ukraine was Belarus' foreign trade success story, with trade growing 36.2% over 2005 to USD 2.45 billion (of which USD 1.23 billion was Belarusian exports and USD 1.22 billion was imports, providing Belarus a surplus of USD 12.6 million). Consequently, Ukraine became Belarus' third largest trading partner.

The key exports to Ukraine were oil products, tractors, trucks, refrigerators, ethylene polymers, potassium fertilizers, rubber tires, etc. The key imports were rolled iron, steel, ferrous metals, electric power, railway cars, sunflower oil, corn, etc.

Germany

¶11. (U) Germany is Belarus' largest trading partner in the EU, with USD 2.45 billion in trade (exports USD 779 million, imports USD 1.67 billion). Belarus' major exports to Germany are textiles, wood and wood products, medical equipment, chemical products, tractors and optical products. Its main imports from Germany are capital goods, machinery, equipment, chemical products and motor vehicles.

Poland

¶12. (U) Poland is Belarus' fifth largest trading partner, accounting for USD 1.8 billion in trade in 2006 (Belarusian exports USD 1.033 billion, imports USD 766 million, for a USD 267.8 million surplus). Belarus' main exports to Poland include oil, natural gas and potash. The main Polish exports to Belarus were pork, fiberboard, apples and pears, attachment fitting, and architectural hardware.

Commonwealth of Independent States

¶13. (U) Excluding Russia and Ukraine, Belarus' trade with the other nine countries of the CIS was 1.4% of total foreign commodity trade. Most of this was with three countries, Kazakhstan (USD 333 million), Moldova (USD 177 million) and Uzbekistan (USD 70 million). Trade with the rest of the CIS, including with fellow Eurasian Economic Community partners Kyrgyzstan and Tajikistan, was even more negligible. Belarus had a surplus in trade with all CIS member-states excluding Russia.

China

¶14. (U) China is Belarus' seventh largest trading partner, with USD 949 million in total trade in 2006. Of that amount, Belarus exported USD 395.3 million and imported USD 554 million, for a trade deficit with China of USD 158.4 million. Belarus mainly exported potassium fertilizers, dump trucks, machinery and spare parts, metal goods, chemicals, tools and leather. Belarus imported Chinese computers, telephones, machine tools and digital cameras.

United States

¶15. (U) According to GOB statistics, the United States is Belarus' eighth largest trading partner, with USD 728 million in trade in 2006 (a 208% increase on the year). According to the GOB, Belarus exports were USD 445 million and imports totaled USD 283 million, giving it a trade surplus of USD 162. U.S. exports to Belarus

MINSK 00000247 003 OF 003

included pharmaceuticals; marine engines and parts; medical equipment; pulp and paper machinery, organic chemicals; measuring, testing and control instruments; agricultural machinery and equipment; and computer accessories. Belarus' exports to the U.S. included mineral fuel oil, potassium fertilizer, rubber goods, apparel articles and accessories, iron and steel.

Asia, Africa, and the Western Hemisphere

¶16. (U) In 2006, Belarusian trade with the rest of the world, with a few exceptions, was minimal. The country's main partners in Asia were China, India and Turkey. Main partners in Africa were Egypt and Libya. Belarus' main partner in South America was Brazil, which accounted for USD 438 million in trade, with Belarus exporting USD 228 million and importing USD 210 million. Potassium fertilizer accounted for most of Belarusian exports to Brazil. In return, Belarus imports raw sugar, coffee, tea and tobacco from Brazil.

Comment

¶17. (SBU) A large portion of Belarus' exports consisted of potassium fertilizers, ferrous metals and manufactured goods, such as textiles, machinery or chemicals. All of them are becoming less competitive because of higher prices due to the higher cost of energy inputs. Furthermore, Russia is contemplating closing its markets to some Belarusian exports in the years to come. Even based on these official figures, conditions do not appear favorable for Belarus to meet the government's stated goal of moving from a trade deficit to a trade surplus of USD 500 million.

